

Cross Timbers Business Report

Published by the College of Business Administration, Tarleton State University
Articles by Members of Delta Mu Delta, Nidhi Gupta, Student Editor

Volume 21, No.1

Fall 2007

Output Increases in Third Quarter

By *Thelma Piñón*

The U.S. Economy maintained a healthy growth rate in the third quarter of 2007, as real gross domestic product (GDP), the measure of output of all goods and services produced in the economy, rose at an annual rate of 3.8 percent, according to the latest report by the U.S. Department of Commerce.

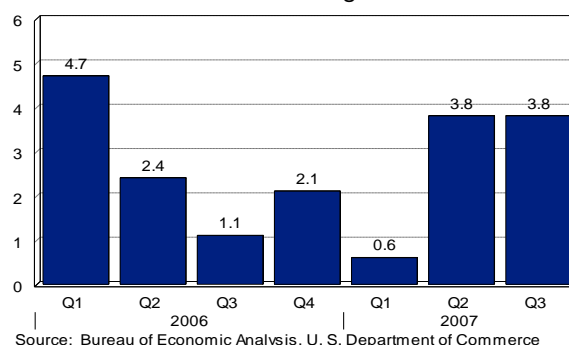
This quarterly GDP increase of 3.8 percent represents the strongest growth rate since the first quarter of 2006, when output grew at a 4.7 percent pace. Contributions to this gain come from personal consumption expenditures (PCE), exports, federal government spending, equipment and software, nonresidential structures, private inventory investment, and state and local government spending.

Consumer spending accelerated in the third quarter, rising 3.0 percent after increasing 1.4 percent in the second quarter. Durable goods rose 4.4 percent in the third quarter, after increasing by 1.7 percent April through June. Non-durable goods rose by 2.7 percent. Service spending rose by 2.9 percent. As a whole, consumer spending contributed 2.1 percentage points to GDP in the July through September period. Business spending increased 7.9 percent; investment in structures rose by 12.3 percent, and equipment and software outlays rose by 5.9 percent. Federal government expenditures increased 6.8 percent, and state and local government outlays rose by 2.0 percent. Net exports of goods and services ad-

vanced by 16.2 percent in the third quarter, as weak dollar promoted a 16.2 percent growth in exports, while imports expanded by only 5.9 percent.

Changes in Real GDP

Annual Percentage Rates



The Department of Commerce collects and reports GDP data on a quarterly basis. The data will be revised twice before a final estimate is posted.

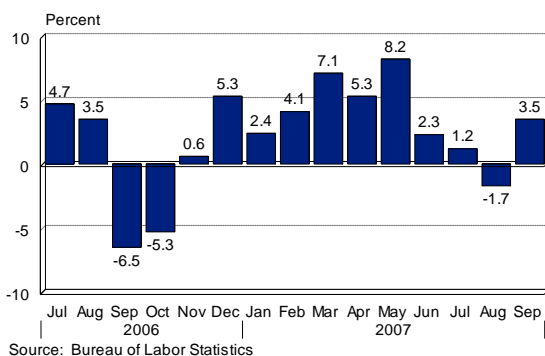
Thelma Piñón is a senior majoring in management at Tarleton State University

Consumer Prices Accelerate in 2007

By *Mary Sheehan*

INFLATION RATES

(Annual Changes in Consumer Prices)



September 2007 showed a significant increase in Consumer prices compared to both the previous month (August 2007) and September of last year. September prices escalated at an annual rate 3.5 percent over the previous month's level and stood 2.8 percent higher than the previous September's average. Over the past three months, prices of food and beverages, housing, medical care, education and communication rose at rates above the overall inflation rate. Prices of apparel and recreation rose at paces slower than the overall average, while energy and transportation prices marked declines.

The Wall Street Journal predicts that the CPI (Consumer Price Index) will rebound later this year giving the Federal Reserve little room to adjust interest rates in order to ease the strain on the market due to the housing slump and increases in oil prices.

Consumer price index figures are published monthly by the Bureau of Labor Statistics; the CPI is the nation's most commonly cited inflation measure.

Mary Sheehan is pursuing a Master of Business Administration degree at Tarleton State University

Unemployment Remains Low

By Matt Hillman

The U.S. unemployment rate exhibited little fluctuation in 2007, remaining in the 4.4 to 4.7 percent range from January through September. Texas' unemployment figure has stayed below the U.S. since March. Average 2007 unemployment rates for both areas lay below the values posted for the previous year. All five Cross Timbers counties also posted lower average unemployment rates in 2007 than in the previous year.

The nation's jobless statistic began 2007 at 4.6 percent then eased to 4.4 percent in March before climbing back to 4.7 percent in September. This year's average unemployment figure was 4.5 percent, which compares favorably to the 4.7 percent value noted in 2006. The U.S. average annual unemployment rate currently stands at its lowest value since September 2001.

Texas began 2007 with an unemployment rate of 4.5 percent. This value dropped to 4.1 percent in May and June then eased back to 4.3 percent in September. The state's average jobless figure currently stands at 4.3 percent, which is the lowest annual average value since the year 2000.

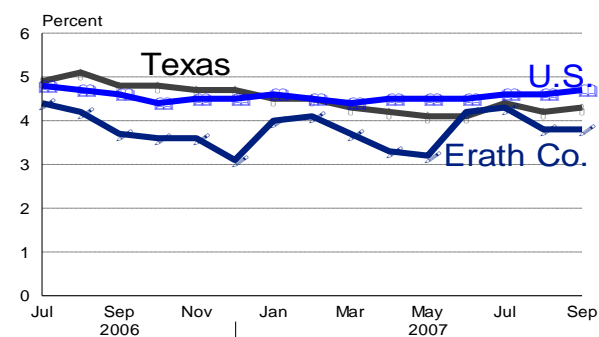
Bosque County's jobless statistic began this year at a 5.0 percent rate. This figure declined to 4.0 percent in April before easing back to 4.6 percent in September. The county's 4.6 percent average rate for 2007 lies slightly below the 4.7 percent value calculated for the previous year. Bosque has posted the highest jobless rate of all Cross Timbers counties so far this year.

Erath started 2007 with a jobless rate of 4.0 percent. This statistic dropped to 3.2 percent in May, then rebounded to 3.8 percent in September. The county's 3.8 percent average unemployment rate for September lies slightly below last year's 4.0 percent average and ties Hamilton County for the area's lowest jobless tally.

Hamilton County's jobless rate declined irregularly from 4.1 percent in January to 3.3 percent in April, then climbed back to 3.8 percent in September. This county's 3.8 percent average rate lies significantly below the 4.7 percent figure calculated for the same nine months of 2006.

Comanche County experienced a drop in joblessness from 4.4 percent in January to 3.7 percent in May then noted a climb to 4.2 percent in September. This year's average rate of 4.2 percent compares favorably to last year's 4.8 percent figure.

UNEMPLOYMENT RATES



Source: U.S. Bureau of Labor Statistics and Texas Workforce Commission

Eastland County's unemployment rate fell from 4.6 percent in at the beginning of 2007 to 3.8 percent in April and May before returning to 4.4 percent in September. This county's 4.4 percent average rate for the January-September period of this year lies below the 4.9 percent value for the same months of 2006.

Labor market statistics are collected and calculated on a monthly basis by the U.S. Bureau of Labor Statistics and the Texas Workforce Commission. U.S. and Texas figures are adjusted for normal seasonal variations, but county values remain unadjusted.

Matt Hillman will graduate in May with a degree in Marketing and plans to pursue a master's degree in the same field.

Area Retail Sales Mixed in 2007

By Neil Knauth

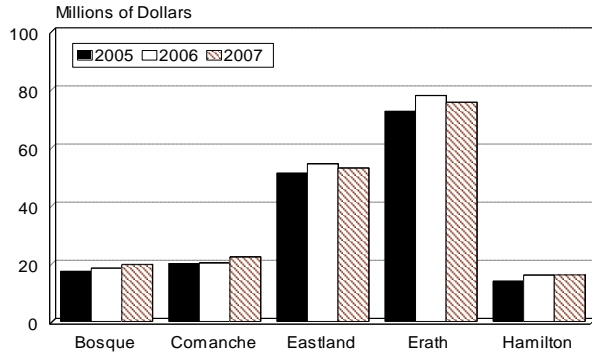
Overall, retail sales in the Cross Timbers area decreased by 0.2 percent in the first quarter of 2007, compared to the same period in 2006, according to the State Comptroller's Office recent quarterly report. Of the five area counties, three experienced increases in sales, and two reported declines. All five counties reported advances in sales compared to the first quarter of 2005.

Bosque County's first quarter retail sales totaled \$19.6 million, which represents a 7.1 percent increase over the same period in 2006. This year's sales total marks an increase of 13.8 percent over the first quarter sales in 2005.

Hamilton County, with first quarter 2007 sales of \$16.0 million, saw modest 0.9 percent growth over the previous year. This figure represents an increase of 16.1 percent over 2005's first quarter retail sales.

RETAIL SALES

Area Counties, January - March



Source: State Comptroller's Office

Comanche reported the highest growth rate of all Cross Timbers counties in first quarter sales in 2007, with an increase of 10.3 percent over the first quarter of last year and

an 11.6 percent increase since 2005. The county's first quarter retail sales for 2007 totaled \$22.1 million.

Eastland County noted a decline in sales in 2007 with a sales total of \$52.7 million. While sales slipped 2.7 percent when compared to 2006's figure, the county still saw an increase of 3.5 percent over the same period in 2005.

Erath County posted a small decline in sales, as well. Erath's \$75.4 million sales aggregate for the first quarter of 2007 represents a 3.0 percent decrease compared to sales during same period of 2006, but a 4.3 percent advance compared to the 2005 value.

The Texas State Comptroller's Office releases retail sales data reports on a quarterly basis. Statistics for a given period are typically released five to six months after the end of the period.

Neil Knauth is a senior Computer Information Systems major at Tarleton State University.

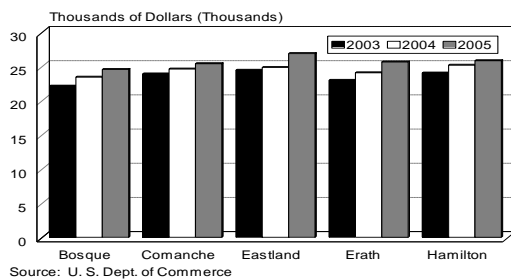
Incomes Increase in Cross Timbers Counties

By Nick Hoffman

All five Cross Timbers Counties saw increases in their per capita personal incomes between 2004 and 2005. Eastland County posted the highest percentage increase in this span, while Hamilton Country reported the lowest.

Per Capita Personal Income

Area Counties



Source: U. S. Dept. of Commerce

Between 2004 and 2005 Bosque County's per capita personal income rose 4.8 percent to \$24,529. This increase slightly improved Bosque's ranking from 156th to 155th among Texas' 254 counties.

Comanche County also posted an increase in per capita personal income over this period. Its total of \$25,377 for 2005 is 3.2 percent higher than the previous year. Despite this increase, Comanche's overall ranking among Texas counties slipped from 101st to 129th.

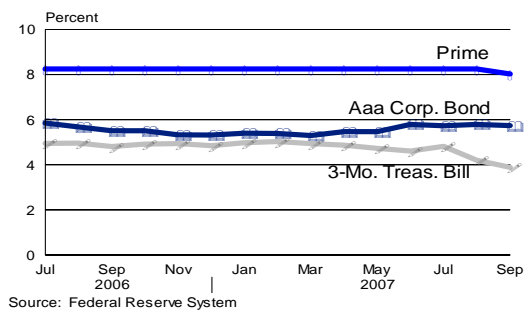
Interest Rates Remain Steady

By Jennifer Williams

Short-term interest rates remained steady for the first two months of the third quarter of 2007. However, the Federal Open Market Committee decreased the federal funds rate on September 18, 2007 by 50 basis points to 4-3/4 percent, as a tool to stimulate the economy and help create liquidity in financial markets. Consequently, the 3-month Treasury bill followed suit dropping by almost 1 percent at the end of the third quarter. Long-term rates remained solid at around 5-3/4 percent through this period.

INTEREST RATES

Averages of Daily Figures



Source: Federal Reserve System

Jennifer Williams is a senior majoring in economics at Tarleton State University

In Eastland County, per capita personal income rose by 8.2 percent to \$26,857 between 2004 and 2005. This increase improved the county's ranking from 103rd to 94th.

Erath County's per capita personal income rose 6.6 percent to \$25,627 from 2004 to 2005. This increase was not enough to improve Erath's ranking among Texas counties however as the county dropped from 113th to 122nd.

Hamilton County noted a per capital income value of 25,814 in 2005. This value is only 2.6 percent greater than the figure noted the year before. This anemic pace resulted

in a decline from 93rd to 119th among Texas counties over this span.

The United States Bureau of Economic Analysis collects and reports personal income data on an annual basis.

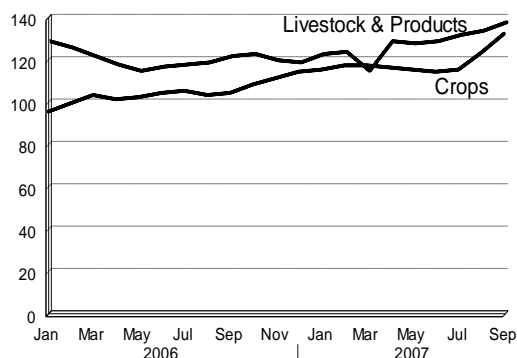
Nick Hoffman is a senior majoring in economics at Tarleton State University.

Agricultural Prices Escalate

By Cassondra Marbach

INDEX NUMBERS OF PRICES

Received by Texas Farmers and Ranchers (1990-1992=100)



Source: Texas Agricultural Statistics Service

In the past year Texas farmers and ranchers have experienced significant increases in the prices of most commodities. On the national level prices received by agricultural producers have risen faster than prices of goods and services purchased. These trends resulted in a significant im-

provement in the purchasing power of agricultural products.

The index of prices received by Texas farmers and ranchers jumped from 115 percent of the 1990-1992 average in September 2006 to 135 percent this year. This advance reflects a 27 percent increase in crop prices and a 13 percent rise in prices of livestock and products.

Milk prices staged the most dramatic recovery over the past year, jumping from \$13.70 per hundredweight last September to \$23.00 this year. Beef cattle prices also increased over the past year. The increase in crop prices reflects higher revenues from corn, wheat, hay, and grain sorghum.

The national index of prices received by farmers expanded by 20.3 percent over the past year. This increase overshadowed the 8.2 percent advance in prices paid and resulted in a 9.0 percentage point improvement in the ratio of prices received to prices paid.

Cassondra Marbach is a senior marketing major at Tarleton State University